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## Asian Nations Voice Disappointment on Talks With Reagan

By Michael Richardson  
International Herald Tribune  
SINGAPORE — Officials of Southeast Asian nations expressed disappointment Friday that President Ronald Reagan and Secretary of State George P. Shultz had not been forthcoming in responding to some of the region's economic and foreign policy concerns.

The officials were contacted by phone in Bali, where Mr. Reagan met Thursday with leaders of the Association of Southeast Asian Nations. They said there were also doubts that the president and his aides understood how much damage falling oil and commodity prices were doing to the economic health of the association's member states.

"We are not sure" said a representative of one ASEAN country, "whether we got our message through that if the U.S. wants to continue to rely on friendly governments in this part of the world, it must help us in our time of trouble."

Another government official said, "For us, the most critical problems were economic because without continued growth our political stability could be undermined by unemployment and social unrest."

The officials said that Mr. Shultz's visit was marred by a catalog of economic complaints presented

to him and to Mr. Reagan by foreign ministers of the 11-nation group in the meetings.

Part of the tension seemed to have come from a meeting between Mr. Reagan and Salvador A. Laurel, the Philippine vice president, after Mr. Laurel had questioned whether the Reagan administration fully supported the new government of President Corason C. Aquino.

But Mr. Laurel said after his talks with Mr. Reagan that those doubts had been swept away.

Officials of Southeast Asian governments said that Mr. Shultz responded to requests for additional economic assistance by saying that the United States did "not have infinite capacity" to provide aid.

Aside from aid, the request included more American investment, commodity price supports and preferential trade access.

ASEAN sources said Mr. Shultz urged them to remove restrictions in their own countries that inhibit foreign investments and imports.

The sources said that although Singapore's foreign minister, S. Rajaratnam, had praised Mr. Reagan's personal commitment to maintenance of free trade, the Indonesian foreign minister, Muhyiddin Yusuf, and his Thai counterpart, Suddhi Savetasil, both complained about growing protectionist moves in the United States.

ASEAN comprises Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei. It was formed in 1967 to promote non-military cooperation.

Mr. Reagan, who arrived Friday in Tokyo for the summit meeting of the seven leading industrialized democracies, said he would convey to other leaders there ASEAN's concerns about protectionism and low world prices for oil and commodities.

ASEAN nations have been hit hard by falling prices for oil, natural gas, rubber, tin, palm oil, lumber and many other commodities.

ASEAN officials said that during the summit meeting, Mr. Reagan got ASEAN's full backing in his campaign against trade restrictions, but they also expressed support in his battle against terrorism.

Officials said ASEAN declined to endorse the U.S. bombing raid on Libya on April 15, but agreed that international action should be taken to prevent terrorism.

Mr. Mochtar of Indonesia, whose more than 80 percent of the country's million people are Moslems, said Wednesday that it was difficult to verify Mr. Reagan's claim that the Libyan leader, Colonel Moammar Qaddafi, had a "master plan" for terrorism.

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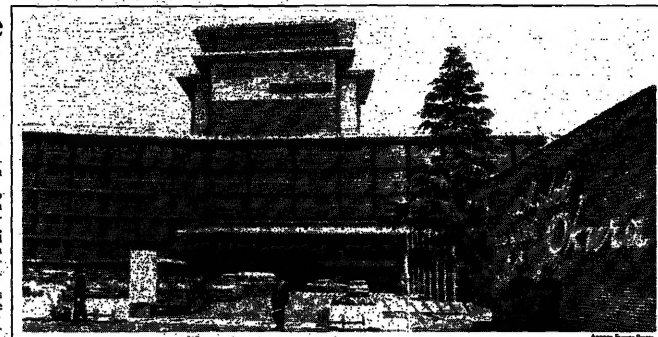
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Security Is Tight For Tokyo Talks

Security is tight in Tokyo, especially around the two major hotels taken over for the summit meeting, the New Otani and the Okura, above. President Ronald Reagan, left, arrived Friday at Tokyo airport for the meeting, which begins Sunday. Nancy Reagan, meanwhile, was presented with flowers Friday as she began a two-day visit to Kuala Lumpur, Malaysia.

## The Summit: Preparations and Prospects

### Honor of Holding Economic Talks Almost More Than City Can Stand

By John Burgess  
International Herald Tribune  
Tokyo

With all the controls on traffic, with the extra police on patrol, with the extra security at the hotels, the honor of holding the summit meeting is almost more than the city can stand.

On Sunday afternoon, the non-Communist world's seven leading industrialized nations will meet in the city of Tokyo for the first time in 12 years.

Even before they arrived, they had all but paralyzed the center of this city of more than eight million people.

For days now, police officers, 15,000 of them at any given time, have been sealing off side lanes, searching cars at checkpoints on busy thoroughfares, knocking on doors of apartments that overlook scenic spots, climbing down manholes, searching through contents of trash cans and trashing debris.

Joggers have been shoved off the popular three-mile (five-kilometer) track that winds through the city's Imperial Palace. Merchants with shops in the two major hotels being taken over for the summit meeting, the New Otani and the Okura, have been encouraged to close them for the duration, leading some to demand government compensation.

Even the fish in the ancient Betsu Bay have not gone unbothered in this single-minded quest for security. Navy divers have been groping in the murky waters there for anything that might spoil dinner for the adjacent New Otani.

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## Leaders Want Summit Agenda To Include Fire At Nuclear Plant

Leaders want the summit agenda to include a discussion of the fire at the Chernobyl nuclear power plant in the Soviet Union.

The fire, which is believed to have broken out on April 26, spread a radioactive cloud over a large area of Europe.

The Soviet Union has said that two persons died at the Chernobyl nuclear power plant because of the accident. Western experts have described as the worst nuclear catastrophe ever.

In Hamburg, a Soviet Communist Party official told West German television that people were seriously ill from the radiation.

He said four employees close to the plant had been evacuated and that some water reservoirs in the area were contaminated.

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## Labor Party Takes Power In Norway

By Bob Hagerty  
International Herald Tribune  
OSLO

The Labor Party agreed Friday to form a new government, reluctantly filling the vacancy left by the resignation of Conservative-led coalition government.

Neither of the two major parties, by all appearances, was to govern Norway in the months ahead as a country rich in oil learns to live with a collapse in oil prices.

The Conservative-led coalition decided to resign after it lost a parliamentary vote Wednesday on a small increase in the gasoline tax, which it considered the first small step in coping with the plunging oil income.

King Olav V on Friday invited the Labor Party leader, Gro Harlem Brundtland, to form a minority government. But it remained unclear whether Mr. Brundtland's government could or even wanted to remain in power for more than a few weeks.

It is possible that the Conservatives, who have ruled since 1981, will soon find themselves back in power with another fractious three-party coalition.

Kjell Willoch, the Conservative leader who stepped down as prime minister, could have averted the government's resignation by compromising with the Labor Party or by delaying his austerity package.

Mr. Willoch appears to have done so, however, that he did not wish to remain in power if he could not govern as he chose.

Whatever party leads the government, it will have to make unpopular decisions about how to raise taxes and cut spending.

The situation is complicated by the inability of either party to command the clear majority necessary to push through the kind of remedies it prefers and by Norway's constitution, which prevents the holding of another national election until 1989.

"It will be a compromise from sunset to sunset," said Bjorn Vidar Leroy, a commentator for Bergens Tidende, one of the country's leading newspapers.

Mr. Willoch had governed since the autumn with a one-seat majority that was dependent on two votes from the Progress Party led by Carl L. Hagen. Mr. Hagen, a

(Continued on Page 2, Col. 6)

## Contemplating the Future in Japan

### Prosperous Japanese Worry: What Could Go Wrong Now?

By Susan Chira  
New York Times Service  
Tokyo

TOKYO — Japan today seems to have it all — economic might, political stability, an increasingly affluent populace and companies moving into new markets around the world.

The question that preoccupies the Japanese, however, is: What could go wrong?

This is a nation obsessed with its own future, endlessly analyzing and anticipating what twists lie ahead. Government agencies churn out reports projecting the course of the economy and suggesting what steps Japan should take to adapt.

Polk analysts charge that people think what may happen in the next decade or two.

## INSIDE

GENERAL NEWS

U.S. activists have been convicted of harboring Central American refugees. Page 2.

Two U.S. nuclear submarines ran aground in the last month, the navy said. Page 3.

Supporters of Benazir Bhutto are urging her to call for mass protests or a strike. Page 4.

With Marcor's departure, a new U.S. pact on air bases seemed assured. Page 4.

Christie's "Numbing Cargo" sale of shipwrecked porcelain in Amsterdam realized more than \$15 million. Page 5.

## BUSINESS/FINANCE

The U.S. civilian unemployment rate fell 0.1 percent in April to 7.1 percent of the workforce. Page 7.

Pan Am Corp. reported a first-quarter loss of \$11.4 million. Page 7.

Kurt Waldheim, right, a candidate in the Austrian presidential election Sunday, talked Friday in Vienna with Kurt Steyer, his Socialist opponent. Meanwhile, Chancellor Fred Sinowatz said Mr. Waldheim was a "risk" to the nation's reputation. Page 4.

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## Bonn Issues Warning on Milk Because of Radiation Levels

The Associated Press

FRANKFURT — The West German authorities said Thursday that because of the Soviet nuclear disaster the radioactivity of fresh milk could reach "critical levels" and recommended against drinking it.

Polish and Soviet farm products are being checked for radioactive contamination before being brought into West Germany, government officials said.

Erich Oberhausen, head of a special government task force set up to monitor radioactive fallout, said in Bonn that it was expected that fresh milk would be most affected in Bavaria, Hesse, Rheinland-Pfalz, Baden-Württemberg and Saarland, increased levels of radioactivity had been detected in these states.

In Sweden, officials ordered dairy farmers to keep their cows in their barns to avoid radioactive contamination of the milk.

Gunnar Bengtsson, head of Sweden's National Radiation Protection Institute, said there was still no radioactive dust on the ground, as

much as 200 times above normal in the Uppala-Gavle area 40 miles (70 kilometers) to 110 miles north of Stockholm. He said further precautions were needed.

**Radiation Levels in Europe**

The Associated Press compiled the following breakdown of radiation levels in Europe:

**AUSTRIA** — The Federal Office of the Environment said radiation levels remained above normal Friday, at about 0.5 millirem, up from 0.37 millirem Thursday.

A million cases of the effect that radiation produces in human tissue. An American group of utility and suppliers, the Atomic Industrial Forum, estimates that a typical American receives a dose of about 180 millirem a year.

**BELGIUM** — The secretary of state for environment said radiation levels had risen from 0.06 millirem to 0.09 millirem Thursday, said in Brussels. He said that this was "absolutely not dangerous."

**FRANCE** — A spokesman for the National Radiological Protection Board said "no increase in background radiation" had been detected Thursday or Friday.

**DENMARK** — Officials at the Danish Environmental Protection Agency said 0.02 millirem were measured Wednesday through Friday, a level considered normal.

**FRANCE** — The Central Service for the Protection Against Radioactivity said "a minor increase in atmospheric radioactivity" continued Friday in southern France, but it said this had "no significance for public health."

**EAST GERMANY** — The official press agency ADN said radioactivity in parts of the country Friday was about 100 times the average level before the reactor accident. It said levels had been even higher on Wednesday and Thursday but that there was no immediate danger to public health and safety.

**WEST GERMANY** — The national weather service reported Thursday 10 to 18 times above normal Friday in the southeast, in the Munich and Regensburg areas, and parts of the northwest owing to shifting winds. Readings were up to 30 times higher than normal on Thursday.

**ITALY** — Italian radioactivity stations reported radioactivity twice as high as normal Thursday and Friday but stressed this was far below the danger level. Renato Altissimo, the health minister, said that when the nuclear cloud reached Italy this weekend, radiation levels could increase by 10 times normal levels but that no danger would be posed.

**NETHERLANDS** — Officials reported 0.02 millirem radioactivity on Friday, up from 0.018 Thursday, but figures above normal, said the Dutch Ministry.

**POLAND** — Government radiation specialists reported that radiation levels in Poland were as much as 50 times more than normal Monday and that while they were sharply reduced by Thursday, an increase in the next two to three days could be expected in the next two to three days.

**ROMANIA** — Romanian television news said that the nuclear accident, reported much higher levels of radiation and warned people to avoid drinking water in rural areas.

**SPAIN** — Atmospheric radiation levels in the Basque Country, the standard time for one-thousandth of a rem.

**SWITZERLAND** — Radiation levels in the Swiss Alps were reported to be 10 to 15 times higher than normal Thursday, at 0.04 millirem, while in the west they were slightly higher, at 0.05 millirem.

**YUGOSLAVIA** — Belgrade Radio reported the latest readings in the country were 100 millirem per hour, while the normal level was 12 microrem per hour. The reading was 26.7 millirem.

A microrem is an international unit of quantity used in measuring ionizing radiation.

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## Medical Aid For Victims Is Accepted By Soviet

(Continued from Page 1)

would be willing to send teams to the accident site if necessary, help Soviet doctors identify victims who needed bone-marrow transplants and use the registry's lists of more than 30,000 potential donors to find those with suitable tissue types to match the victims.

For the transplants, Dr. Gale said, the patients would probably be flown to major centers in the United States and Europe where many such operations are done.

The mechanics of bone-marrow transplantation are relatively simple. Marrow is taken by syringe from the donor and is infused by the recipient.

Success, however, requires an almost perfect match of these tissue types between donor and recipient. Unless the donor and recipient are identical twins or closely related, the donor must be sought through registry lists such as those of the international group.

For many days before and after operations, extreme care must be taken to keep the patient free from infection.

Dr. Gale said a major transplant unit such as his at UCLA could possibly handle 5 to 10 such cases.

About 25 years ago, bone-marrow transplants were performed on two victims of a Yugoslav nuclear reactor accident, two of whom survived, Dr. Gale said. Techniques were then so much advanced that it was never clear whether the two lives were actually saved by the transplants.

In an interview Thursday, Dr. John Hartley, adjunct professor of medicine at New York University School of Medicine, said that the biological effects of radiation, said a whole body gamma radiation dose of 100 rads would be enough to kill a person.

As the verdict was read most defendants sat in silence; a few wept. Some stood up. A few minutes later, the defendants, family members and attorneys walked out of the courtroom singing "We Shall Overcome."

The movement has been endorsed by about 200 American churches, about 20 U.S. cities and the state of New Mexico. They have committed themselves to provide sanctuary to Central American refugees fleeing violence and persecution, and to help them find a safe haven.

The prosecution in the trial before Judge John C. Tamm said that the defendants were guilty of conspiracy to smuggle aliens that

Dr. Victor Soto of Brookhaven National Laboratory, an expert on radiation injuries, said there is a hierarchy of effects from gamma radiation, depending on the dose.

Exposure to the whole body to a dose of 100 rads would be enough to kill a person, Dr. Soto said. A dose of 10 rads would be enough to cause the blood-forming system, part of the immune system, to fail and cause bleeding as well as other vital body functions.

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Dr. Robert Gale in Los Angeles before leaving for Moscow.

## U.S. Sanctuary Activists Guilty in Smuggling Case

By Jay Matthews

Associated Press Staff

TUCSON, Arizona

A federal jury has convicted eight American church activists of 16 felony charges of smuggling and harboring illegal immigrants fleeing Central America.

The convictions, Thursday, for activities associated with the nationwide Sanctuary Movement included two Roman Catholic priests, a nun and a Presbyterian minister.

Several of the defendants vowed to appeal the verdicts.

As the verdict was read most defendants sat in silence; a few wept. Some stood up. A few minutes later, the defendants, family members and attorneys walked out of the courtroom singing "We Shall Overcome."

The movement has been endorsed by about 200 American churches, about 20 U.S. cities and the state of New Mexico. They have committed themselves to provide sanctuary to Central American refugees fleeing violence and persecution, and to help them find a safe haven.

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## 2 Sub Accidents Reported by U.S.

By George C. Wilson  
Washington Post Staff Writer

WASHINGTON — Two U.S. nuclear submarines have been reported to have been damaged and one of them was severely damaged and may be dismantled, according to navy officials.

The nuclear-powered attack submarine *Atlanta* ran aground in the Strait of Gibraltar on Tuesday with such force that it punched a hole in a hull plate and cracked another in its nose, navy officials said Thursday.

The officials stressed that no radiation leaked from the submarine's power plant and no crew members were injured.

On April 24, the nuclear-powered submarine, the *Nathan*, ran aground in the Indian Sea for unspecified reasons.

Pentagon officials said that President Ronald Reagan made a final decision to scrap two older submarines, the *Nathan* and the *Atlanta*, probably because of the damage to the *Atlanta*.

In order to stay within the limits set by the unratified strategic arms limitation talks treaty, Mr. Reagan's administration decided to dismantle two submarines, each armed with 16 Poseidon nuclear ballistic missiles.

## Sweden Ejects Czechoslovaks For Spying

STOCKHOLM — Swedish

authorities Friday expelled five Czechoslovak diplomats from the country.

The five diplomats had been accused of spying for the Czechoslovak intelligence-gathering operation in Sweden.

The Foreign Ministry said the five, four of whom were diplomats at the Czechoslovak Embassy in Stockholm, were ordered out after their expulsion was announced.

The Czechoslovak intelligence-gathering operation in Sweden, which was headed by the Czechoslovak intelligence chief, was exposed by the Swedish intelligence service.

Swedish officials said it was the largest espionage case of East-European diplomats from the country.

The four expelled diplomats were: the Czechoslovak ambassador, Jan Kroupa; the press attaché, Lubomir Kopecký; the commercial attaché, Levko Vachara; and the cultural attaché, Jan Kroupa.

The fifth person expelled was identified as Pavel Salas, who heads the Stockholm office of the Czechoslovak airline CSA.

The Swedish Foreign Ministry said the police did not believe the spying operation had damaged the country.

The move came less than three weeks after Prime Minister Ingvar Carlsson traveled to Moscow in the official visit by a Swedish prime minister in 10 years.

The trip reflected an improvement in ties that had been strained since 1981, when Stockholm protested the incursions of Soviet submarines in its waters.

State radio said the security police had found two of the Czechoslovak diplomats in what it described as "a military sensitive area in southern Sweden."

Western diplomats said Swedish intelligence, with the assistance of double agents, had established that the five Czechoslovaks were spying on military installations and key industries, particularly those involved in high technology and defense.

The diplomats said the Soviet Union's ability to gather intelligence in Sweden had been undermined by a steady stream of expulsions over the past five years.

Agents of other East-bloc nations, they said, had assumed part of their role.

## Chicago Mayor Gains Control Of City Council

Los Angeles Times Service

CHICAGO — Mayor Harold Washington, who faced a hostile City Council majority for the first three years of his term, has gained control of City Hall with victory in runoff elections in two ways.

Candidates backed by Mayor Washington in five special elections won four of them Tuesday, giving the mayor and his chief rival, Alderman Edward R. Royce, each a vote of 25 votes in the council.

The mayor's vote decided the council. Mr. Washington had controlled only 23 votes.

The voting was the most heavily monitored in Chicago history, and election officials said allegations of irregularities were relatively rare.

The dispute between Mr. Washington and the city's first black mayor and Mr. Royce, the leader of what remains of the city's old-line Democratic Party, had resulted in three tumultuous years in city government.

This is a message to the machine. The old way of doing business is clearly not working in Mr. Washington said Wednesday.

## Border Guard Flee to West

United Press International

BAMBERG, West Germany — An East German border guard and another guard who was with him on patrol Thursday and then escaped to the West.

The guard who fled was identified as Abdelatif Filiti.

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## AMERICAN TOPICS



CLAN ON THE MARCH — A dozen Ku Klux Klan members, and a few protesters, marched Thursday in San Antonio to the Alamo, saying they were protesting it for Communists. The Klan began the annual May Day march in 1965, a year after a group was arrested for replacing the Texas flag over the historic fort with a red banner.

## Military: The Best Path To Success For Blacks?

Black Americans have been most successful in moving up the career ladder in the armed forces than in civilian life, according to Charles C. Moskos, a sociologist at Northwestern University.

The U.S. active duty force of 2.1 million includes about 400,000 blacks, although blacks constitute less than 12 percent of the general population.

Julius E. Williams, a retired army colonel who directs armed services and veterans affairs for the National Association for the Advancement of Colored People, disagrees with Mr. Moskos.

He says blacks do not have to be in the military. Mr. Moskos says he has no comparative data for military and civilian advancement, but, "if one looks at the corporate world, you're not going to see one out of 10 blacks being in leadership roles."

Short Takes

Billing Bolshoi, a European novelty, have arrived in Manhattan. Gliding slowly through closed streets, they are seen by up to 300,000 people a day in affluent neighborhoods. "Tremendous impact," said Anne S.

two years ago the trade unions were one of his strongest bases of support. But unable to keep his promise to end the civil war and having imposed painful economic austerity measures, he expected Thursday to lose his support among the workers.

A new trade union federation known as the National Salvadoran Workers Union was formed recently to be independent of both the government and the Institute for Labor Development, which many union officials accuse of meddling in their affairs.

Two months ago the government staged a march to demonstrate that it still enjoyed working class support. But most of the marchers, who were recruited by government backers, seemed to be doing only what they were told. Thursday's demonstrators, however,

seemed animated, well organized and determined to express their protest to government policies.

Agricultural cooperative members, teachers, construction workers, some public employees and university students charged against government-sponsored measures and U.S. military aid to the government.

The U.S. Embassy was sprayed with slogans condemning the United States.

Speakers, including a delegation of Americans opposed to U.S. policy in Central America, urged the government. They stood beneath a large poster showing a man in a military uniform, who was accused of being an unsavory ally by the Reagan administration.

The criticism has stung because American officials have reminded the French of a similar role they would rather forget — capitulation at the beginning of World War II and the Vichy government's collaboration with Germany.

Vernon A. Walters, the U.S. special envoy, who met before the raid with President François Mitterrand and Prime Minister Jacques Chirac, denied French involvement in "the Salinas" recalling the food packages that America sent to a hungry France after the war.

To counter America's perception of France as a weak ally, senior French officials have been saying that France decided to allow flights over the country because it had not been involved in the planning of the raid and it had been presented with a fait accompli.

French Take Offense at U.S. Criticism Over Libya

By Judith Miller  
New York Times Staff Writer

PARIS — Johnny Carson threw a pie at an actor portraying a Frenchman a few nights ago on his U.S. television show.

It was part of a spoof on American anger at France for refusing to let U.S. planes fly over French territory on their bombing raid against Libya last month.

The pie-throwing scene was included among the show's latest Sunday night on one comedy.

France's three state-run French viewers were not amused.

By all appearances, France is becoming increasingly irritated by what it sees as the unwarranted anti-French campaign being waged by Americans to punish the country for having rejected cooperation with the United States in its attack April 15 on Libya.

Some commentators concede that Americans have canceled summer vacations here partly because of the decline in the value of the dollar and because they fear terrorist attacks in France.

But most see the vacation moves as politically inspired, a campaign likely to hurt the French economy.

The French government's decision not to cooperate with the Americans, an attitude that mirrors France's determination to conduct independent foreign and military policies.

Some commentators have argued that France's refusal to let U.S. planes fly over its territory is a matter of national honor, a matter of having been publicly thanked by the Reagan administration.

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## Senate, in a Bipartisan Vote, Passes \$1-Trillion U.S. Budget

By Jonathan Fuchsbinger  
New York Times Staff Writer

WASHINGTON — The Senate overwhelmingly approved a \$1-trillion budget Friday for 1987 that would reduce President Ronald Reagan's request for the military by \$19 billion and raise revenues by \$13.1 billion.

The bipartisan vote was 70-25, with 32 Republicans and 38 Democrats voting for the plan. At \$1,001.2 billion, it would be the first U.S. budget to total more than \$1 trillion.

It was also the first budget in the Reagan era to win bipartisan approval in the Republican-controlled Senate.

The compromise effort, which gave more to the military and raised revenues less than the Senate Budget Committee had proposed, was a victory for the House.

The day followed Thursday with hearings on the Senate floor, calls to traveling White House officials in Ball and the first day of closed-circuit television broadcasting of Senate proceedings.

In his effort to squeeze out a budget compromise, Mr. Doole accused House Democrats of trying to "bribe" the Senate by offering a plan that had no significant tax increases. Mr. Doole said the strategy would allow the Democrats to blame the Senate, and especially Republicans, for higher taxes.

In the first major Senate speech to be broadcast on closed-circuit television in the Capitol, Mr. Doole waved papers he said were the House Democrats' proposal and said the proposal included "no taxes, no taxes, no taxes."

Representative William H. Gray 3d, chairman of the House Budget Committee, said Mr. Doole had used an outdated newspaper outlining one budget option.

House Panel Adopts Bill Forcing Action on Trade

By Stuart Auerbach  
Washington Post Staff Writer

WASHINGTON — The Ways and Means Committee of the House of Representatives, defying the Reagan administration, has approved a tough trade bill that would enlarge the definition of unfair trade practices and force presidential action on trade complaints.

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the military spending increase, the plan would cut nine small domestic programs, in addition to two proposed by the budget committee.

To gain Democratic support, the proposal restores some funding for some domestic programs.

The new proposal also would pick up more than \$5 billion in additional savings by lowering estimates of projected spending.

The projected cost-of-living increases for Social Security and pension programs would be 2 percent instead of 3.4 percent. Federal pay increases also would be cut to 2 percent under the plan.

The budget issue now moves to the House of Representatives, where the Democratic leadership has promised to bring its own proposal out of the Budget Committee.

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<div><div>NYSE Most Actives</div><table><tr><th>Vol.</th><th>High</th><th>Low</th><th>Last</th><th>Chg.</th></tr><tr><td>IBM</td><td>2502</td><td>125 1/2</td><td>125 1/4</td><td>+ 1/4</td></tr><tr><td>AT&amp;T</td><td>2000</td><td>55 1/4</td><td>55 1/4</td><td>+ 1/4</td></tr><tr><td>GE</td><td>1900</td><td>32 1/4</td><td>32 1/4</td><td>+ 1/4</td></tr><tr><td>AMT</td><td>1800</td><td>18 3/4</td><td>18 3/4</td><td>+ 1/4</td></tr><tr><td>GO</td><td>1700</td><td>22 1/4</td><td>22 1/4</td><td>+ 1/4</td></tr><tr><td>MSFT</td><td>1600</td><td>45 1/4</td><td>45 1/4</td><td>+ 1/4</td></tr><tr><td>INTL</td><td>1500</td><td>15 1/4</td><td>15 1/4</td><td>+ 1/4</td></tr><tr><td>DIS</td><td>1400</td><td>28 3/4</td><td>28 3/4</td><td>+ 1/4</td></tr><tr><td>BA</td><td>1300</td><td>12 1/4</td><td>12 1/4</td><td>+ 1/4</td></tr><tr><td>W</td><td>1200</td><td>10 1/4</td><td>10 1/4</td><td>+ 1/4</td></tr></table></div>	Vol.	High	Low	Last	Chg.	IBM	2502	125 1/2	125 1/4	+ 1/4	AT&T	2000	55 1/4	55 1/4	+ 1/4	GE	1900	32 1/4	32 1/4	+ 1/4	AMT	1800	18 3/4	18 3/4	+ 1/4	GO	1700	22 1/4	22 1/4	+ 1/4	MSFT	1600	45 1/4	45 1/4	+ 1/4	INTL	1500	15 1/4	15 1/4	+ 1/4	DIS	1400	28 3/4	28 3/4	+ 1/4	BA	1300	12 1/4	12 1/4	+ 1/4	W	1200	10 1/4	10 1/4	+ 1/4	<div><div>Dow Jones Averages</div><table><tr><th>Index</th><th>High</th><th>Low</th><th>Last</th><th>Chg.</th></tr><tr><td>Indust.</td><td>2324 1/2</td><td>2320 1/2</td><td>2324 1/2</td><td>+ 4 1/2</td></tr><tr><td>Comp.</td><td>1234 1/2</td><td>1230 1/2</td><td>1234 1/2</td><td>+ 5 1/2</td></tr><tr><td>Transp.</td><td>567 1/2</td><td>563 1/2</td><td>567 1/2</td><td>+ 2 1/2</td></tr><tr><td>Pub. Util.</td><td>345 1/2</td><td>341 1/2</td><td>345 1/2</td><td>+ 2 1/2</td></tr></table></div>	Index	High	Low	Last	Chg.	Indust.	2324 1/2	2320 1/2	2324 1/2	+ 4 1/2	Comp.	1234 1/2	1230 1/2	1234 1/2	+ 5 1/2	Transp.	567 1/2	563 1/2	567 1/2	+ 2 1/2	Pub. Util.	345 1/2	341 1/2	345 1/2	+ 2 1/2	<div><div>NYSE Index</div><table><tr><th>Category</th><th>High</th><th>Low</th><th>Chg.</th></tr><tr><td>Composite</td><td>2324 1/2</td><td>2320 1/2</td><td>+ 4 1/2</td></tr><tr><td>Indust.</td><td>1234 1/2</td><td>1230 1/2</td><td>+ 5 1/2</td></tr><tr><td>Transp.</td><td>567 1/2</td><td>563 1/2</td><td>+ 2 1/2</td></tr><tr><td>Pub. Util.</td><td>345 1/2</td><td>341 1/2</td><td>+ 2 1/2</td></tr></table></div>	Category	High	Low	Chg.	Composite	2324 1/2	2320 1/2	+ 4 1/2	Indust.	1234 1/2	1230 1/2	+ 5 1/2	Transp.	567 1/2	563 1/2	+ 2 1/2	Pub. Util.	345 1/2	341 1/2	+ 2 1/2	<div><div>Friday's NYSE Closing</div><div>Vol. of P.M. 12,345,678 Prev. 4 P.M. vol. 12,345,678 Prev. considered close 12,345,678</div></div>	<div><div>AMEX Diaries</div><table><tr><th>Class</th><th>Prev.</th></tr><tr><td>Advanced</td><td>36 3/4</td></tr><tr><td>Declined</td><td>36 3/4</td></tr><tr><td>Unchanged</td><td>36 3/4</td></tr><tr><td>Unchanged</td><td>36 3/4</td></tr><tr><td>New Issues</td><td>36 3/4</td></tr><tr><td>New Issues</td><td>36 3/4</td></tr><tr><td>Volume (est.)</td><td>2,877,765</td></tr></table></div>	Class	Prev.	Advanced	36 3/4	Declined	36 3/4	Unchanged	36 3/4	Unchanged	36 3/4	New Issues	36 3/4	New Issues	36 3/4	Volume (est.)	2,877,765	<div><div>NASDAQ Index</div><table><tr><th>Class</th><th>Chg.</th><th>High</th><th>Low</th><th>Year</th></tr><tr><td>Composite</td><td>+0.11</td><td>72.5</td><td>72.2</td><td>72.2</td></tr><tr><td>Indust.</td><td>+0.11</td><td>36.3</td><td>36.0</td><td>36.0</td></tr><tr><td>Transp.</td><td>+0.11</td><td>18.2</td><td>18.0</td><td>18.0</td></tr><tr><td>Pub. Util.</td><td>+0.11</td><td>11.1</td><td>11.0</td><td>11.0</td></tr><tr><td>Finance</td><td>+0.11</td><td>11.1</td><td>11.0</td><td>11.0</td></tr></table></div>	Class	Chg.	High	Low	Year	Composite	+0.11	72.5	72.2	72.2	Indust.	+0.11	36.3	36.0	36.0	Transp.	+0.11	18.2	18.0	18.0	Pub. 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IBM	125.50	124.00	124.50	+0.50
AT&T	55.25	54.75	55.00	+0.25
GE	32.10	31.80	32.00	+0.20
AMT	18.75	18.50	18.60	+0.10
GO	22.40	22.10	22.20	+0.10
MSFT	45.00	44.50	44.75	+0.25
INTL	15.30	15.10	15.20	+0.10
DIS	28.90	28.60	28.70	+0.10
BA	12.50	12.30	12.40	+0.10
W	10.20	10.00	10.10	+0.10

## Prices Decline Again on NYSE

**United Press International**  
**NEW YORK** — Prices on the New York Stock Exchange pulled back again Friday as the market failed in its attempt to snap a four-day losing streak.  
The Dow Jones industrial average fell 3.10 points, to 1,774.68, bringing its loss for the week to 69.89 points, its second worst. The largest loss occurred during the week ended April 4, when the blue-chip barometer plunged \$2.50 points.  
Among NYSE-listed issues, declining stocks edged out winners 833-770 among the 2,014 stocks traded.  
Broader market indexes also retreated. The NYSE composite index gave up 0.09 to 133.39, Standard & Poor's 500-stock index fell 0.37 to 234.79, and the price of an average share fell two cents.  
Big Board volume fell to 126.5 million shares from 146.5 million on Thursday.  
"This was just plain, ordinary, old-fashioned selling," said Trade Latimer of Josephthal & Co. Even the modest gains the market showed during most of the day were unimpressive, she said.  
"The market didn't look that good all day, even when it was up," she said.  
With the exception of utility and energy stocks, large block trades made by institutional investors were done at lower prices, the analyst said. She said stocks deteriorated for most of the day without any convincing rally attempts. IBM "disintegrated" and led the market lower, she said, Carole Morrow, market strategist at

Minneapolis-based Piper, Jaffray & Hopwood, said investors were feeling cautious before next week's economic summit meeting in Japan and before the Treasury's sale, also next week, of \$7 billion of new securities.  
Before the market opened, the Labor Department said U.S. unemployment slipped 0.1 percentage point, to 7.1 percent of the work force, in April.  
Phillips Petroleum was the most active NYSE-listed issue, rising 1/8 to 58. American Electric Power followed, adding 1/4 to 26 1/2, and Chevron was third, rising 1 to 39 1/2.  
Oil prices rose partly on speculation that the shutdown of some of the nuclear power plants might force the Soviet Union to reduce its oil exports. Besides Chevron, Mobil added 1/4 to 29 1/2, Exxon climbed 1 1/2 to 38, Amstar rose 1/4 to 21 1/2 and Tereco edged up 1/4 to 31 1/2.  
Atlantic Richfield advanced 1 1/2 to 54 1/2 after rising 1 1/2 Thursday. Company officials said the company's 34 annual dividend was safe.  
As jitters about the Soviet nuclear accident subsided, domestic electric companies did better. Commonwealth Edison rose 1/4 to 31 1/2, Gulf States Utilities climbed 1/4 to 10 1/2 and Long Island Lighting rose 1/4 to 12 1/2.  
Among actively traded blue chips, IBM fell 2 1/2 to 154 1/2 and Eastman Kodak fell 1/4 to 56 1/2. Westinghouse Electric rose 1 to 53 1/2, General Electric edged 1/4 to 76 1/2, Philip Morris rose 1/4 to 62 1/2 and American Express fell 1/4 to 58 1/2.  
LTV Corp. was down 1/4 to 7 1/2. LTV Steel Co. said it acquired 100 percent ownership of Erie Mining Co.

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IBM	125.50	124.00	124.50	+0.50
AT&T	55.25	54.75	55.00	+0.25
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July 1986



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# DUBAI



## Business, Conference and Trade Center of the Gulf

Today this thriving Emirate on the Arabian Gulf stands at the crossroads between East and West. Before the oil boom came, merchants had plied their trade along the Gulf and further afield to Asia and Africa for more than a century. Today's prosperity is founded on the entrepôt trade and a vigorous, unrestricted business environment. This has already attracted an increasing number of multinational groups, who see this free trade area as the natural gateway to the Gulf countries and as the leading business center for the region.

Dubai is basking in a glow of prosperity which belies the more conventional wisdom about a Gulf region recession. Last month alone, the new Dubai airline, Emirates, opened its service to Cairo, having operated since late 1985 to the Indian subcontinent, and the National Bank of Dubai opened a London branch.

If these indicators of achievement seem too minor, there was the award of a \$131.6-million contract to the Korea Heavy Industries & Construction Company in early February for the Jebel Ali power and desalination complex.

As a member of the U.A.E. since 1971, when independence was secured from the British, Dubai has continued its role as the leading trading entrepôt center of the Gulf. The Maktoum family, which rules the Emirate, has, in turn, channeled the oil wealth wisely. When oil prices rose in the 1970s, Sheikh Rashid stepped up the pace with the construction of a dry dock, aluminum smelter and a deepwater industrial port with an accompanying free trade zone. Dubai's International Airport was expanded to take advantage of growing regional traffic and stopover airlines transiting to the Far East and Australia. Business was regulated to allow free rein to the city's entrepreneurs, while at the same time keeping as much as possible in local hands.

Dubai's public utilities and city services became models of efficiency at a time when other states in the region were importing cheap labor from India, Pakistan and the Far East. The Government of Dubai achieved a continuity in senior personnel which balanced the talents of the local community with skilled expatriates.

Many expatriates, for all intents and purposes, consider themselves natives of Dubai, without the problems which have occurred elsewhere.

Dubai's liberal policy on the recruitment of labor has

ensured that streets are kept clean and essential services manned. And, increasingly, Dubai's busy shopping malls and bustling souks are filled with genuine tourists attracted by the realistic prices and abundance of duty-free goods.

If this sounds almost too good to be true, it is worth remembering that trade has always been the lifeblood of Dubai. Oil revenue, when it came, was a bonus which enabled a number of major projects to be tackled.

The Jebel Ali Free Zone Authority, a government agency which exists to promote the free zone concept, uses as its slogan: "No visa problems. 100 percent foreign ownership. No sponsors required. No taxes. Easy work permits. Free transfer of capital and profits."

This message, and its corollary that Dubai is a secure and safe haven for foreign investment, away from the upheaval of the Gulf war, is on the minds of senior members of the Maktoum family in their desire to support the city's business community with responsible and assertive leadership. Further safeguarding foreign investments, the Central Bank Governor in Abu Dhabi has recently said there will be no devaluation of the dirham due to lower oil prices.

Dubai, with its population of less than 500,000, is the second-largest of the Emirates. Since the late 1950s, Sheikh Rashid has presided. When his cousin, Sir William Halliwell and Partners, advocated the creation of a small port, the Ruler boldly overruled them in favor of growth. This far-sighted attitude quickly paid off: by the time port congestion had become a phenomenon elsewhere in the Gulf and Red Sea, Dubai was well served by its smoothly run and efficient port.

Financially the Emirate is still well off, due to Sheikh Rashid's refusal to create large bureaucracies. Income from oil is thought to be in the region of Dh 10,000 million (\$2.7 billion), but local expenditure is only in the region of Dh

4,000 million (\$1 billion), since many of Dubai's municipal services, particularly the airport, actually operate at a profit — the latter partly due to its duty-free shopping project.

Many in Dubai believe that the Emirate will achieve an importance which is much greater than simply that of a regional entrepôt. Many have traveled to the Far East and admired the success of Hong Kong, says Easa Saleh al-Gurg, the sponsor of the Kacoon company working on the new Jebel Ali power and desalination contract: "The industrial sector is well developed for a society like ours. I only hope easier laws can be made, not radical laws, of course, but within the framework of the interests of the U.A.E., Dubai could possibly replace Hong Kong."

Far fetched? Not necessarily, since Dubai, particularly at a time of recession, has kept its role as a regional import and export center. Businessmen from neighboring states, especially Qatar and Oman, come to Dubai to take advantage of the volume purchasing power and access to credit of Dubai merchants.

There are suggestions that business with Iran is once again picking up. Yet the horizons for Dubai's commercial fraternity are even wider. Extensive trading takes place with the Horn of Africa, Kenya, Tanzania, Pakistan, India, and countries further east. And last month Emirates airline started flights to Sri Lanka and Bangladesh, having served India and Pakistan since October 1985.

Maritime roots. The maritime tradition of Dubai is best expressed by the show fleet on the creekside, but its role as a transshipment point is also evidenced in the steady expansion of services and locations served.

Gulf Express Freight is one of the oldest established agencies in Dubai. Mr. Isma S. Baluch, Gulf's manager, looking to the future foresees the increasing use of sea/air cargo

facilities. Bulk cargoes shipped to Jebel Ali or Port Rashid are broken down for local distribution within the Gulf, or even to the Mediterranean coast countries, by air from Dubai's international airport. Last year Gulf Express handled more than 1,800 tons of sea/air freight.

Sea/air freight services are increasing rapidly because of the demands of the newly industrialized exporting countries like South Korea, who want to reach markets in North, Central and East Africa. "These countries are now buying more and more goods from Korea and Japan. Dubai has become a 'stocking' country for these products, which are then distributed to the regional markets," says Baluch.

"Jebel Ali has become very important for us, which is why we have opened an office there. We were among the first to take the port seriously," continues Baluch, who has spent more than 12 years with the agency.

He sees an increasing demand for food distribution facilities and services within the region. This trend has already been noted by the Jebel Ali management, who have opened one of the largest cold stores in the Gulf. It can receive bulk chilled or frozen goods by sea for subsequent air distribution if necessary.

In January, Overseas Container Line began a monthly service between Dubai, the east coast of Africa, and India. Dubai will act as the relay station with OCL's other services from Europe and the Far East. For this new service, the company is employing a 354 TEU (20-foot equivalent unit) container ship under the British flag. At Dubai Drydock, continued growth was recorded in its third year of operation; ending February 1986, the yard repaired and maintained 132

(Continued on Page 11)

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## Jebel Ali Free Zone: Gateway to One Billion Customers

The new Dubai Jebel Ali Free Zone is facing up to a huge marketing challenge: to convince multinational companies and local businessmen that Dubai is competitive with other more established free zones in newly industrializing countries such as Taiwan, Singapore and Hong Kong.

The main attraction of the Jebel Ali Free Zone is that, under certain circumstances, companies which manufacture or distribute from the free zone will be exempt from the requirements of both the U.A.E.'s federal agencies law and the companies law. The latter requires any foreign company doing business in

the U.A.E. to have a national or a wholly owned local company as its agent. Although this law has yet to be brought into effect, many local businessmen believe its implementation is only a matter of time, given the protectionist climate in the region.

The Jebel Ali Free Zone Authority, whose chairman is Sultan Ahmed bin Sulayem, is offering two kinds of license. Companies which operate exclusively within the zone can have a special license under which the Government of Dubai considers them to be working as offshore entities. This rules out selling within the U.A.E. or exemption from Gulf Cooperation Council

It is this square deal which the Dubai authorities are anxious to promote. Since the official Government decree on February 9, 1985 establishing the Authority, considerable interest has been expressed, particularly from the Indian sub-continent. The first six companies to lease sites, which give an idea of the range of interests, were the UK's Hunter Foods (food processing); Indian-owned, Panama-registered Jebel Ali Industries (food packaging and industrial); Bahraini/UK-owned CMC (oil field equipment and storage); Iranian-owned and registered IDO (agricultural products and food marketing); Qatar-owned Vitality (which makes proprietary drugs); and a UK firm, Trade Ventures (recycling galvanized iron).

A January promotional tour of the Free Zone by the Free Zone Authority generated considerable interest in Japan. The authority points to the fact that companies based at Jebel Ali have access to Asia, Africa and the Middle East, and thus to a market of one billion people.

More than a dozen Japanese firms are since reported to have commissioned feasibility studies to determine the viability of setting up projects at Jebel Ali. With the signing of four new leases in February, the number of companies under agreement with the authority was fast reaching 70.

The latest licensees include Xerox, Overseas Limited, which will manufacture computer ribbons, Mital Brite BV, Transstrex and Schlumberger. Sulayem says the promotional effort in the first half of 1986 will include visits by the authority's marketing team to the UK, India and Pakistan, the United States and Switzerland. He adds that the freedom to manufacture and process goods in the free zone, secure from restrictions on employment of labor and

immigration, distinguishes Jebel Ali from other free zones in the Gulf, which he repeatedly says are "nothing more than duty-free or free storage areas." His hope is that in the long term Jebel Ali will attract offshore service companies, and perhaps banks and insurance groups.

Cheap energy is an additional advantage for the zone. The Free Zone Authority offers land rental for \$1.45 per square meter per year, pre-built warehouses for \$3.25 per square foot per year and office space for \$12.15 per square foot per year. The major asset of the Free Zone is the 67-berth industrial port, which includes a container terminal capable of taking more than 8,000 20-foot



The Dubai Aluminium Works has its own special quay at Jebel Ali for unloading aluminium and other materials for its smelter.

equivalent units (TEUs) in storage equipped with three Mitsubishi gantry cranes with 30-ton capacity under the tender. Jebel Ali has cold storage space for 7,000 tons, temperature-controlled warehouses, and 216 reefer plugs.

In 1985 a 20 percent increase in cargo handling was recorded, compared with the previous year. According to Sulayem, the port handled 6.2 million tons of cargo compared with 4.9 million tons in 1984. Among the new projects at the Jebel Ali industrial zone is a new \$12-million hub oil plant with a capacity of 50,000 tons per year, due to be completed in 1986.

The availability of Jebel Ali for duty-free entry and re-export of goods to foreign countries has stimulated trade with regions such as the Horn of Africa. While the port is 35 kilometers (21.7 miles) south of Dubai city, it is close to the favored residential suburb of Jumeirah and within reach of the 39-lane Dubai International Trade Center — the tallest building in the Middle East, which offers premium office space and an exhibition center. Security at Jebel Ali, which is manned by ex-Indian navy non-commissioned officers, is tight. When a senior Dubai police officer decided to test out the defenses

by posing as an important local in plain clothes, he was gratified to find that the gatekeeper refused to allow him to enter without a pass.

One of the principal benefits at Jebel Ali is protection from federal restrictions. Due to the successful rearguard action by the Dubai Chamber of Commerce & Industry, among others, such restrictions have not yet been brought into full play in Dubai. The Free Zone Authority, in fact, replaced the old duty-free zone which had been going for some five years without having a major impact on the success of the Jebel Ali industrial zone.

Many businesses have been getting by with a sponsor in Dubai and have found it worthwhile to pay the 4 percent import duty for the advantage of being closer to customers. The Government of Dubai spent Dh 6,240 million (\$1.7 billion) from 1976 onwards developing the Jebel Ali port, which is a powerful incentive for the Free Zone Authority to get out and market the concept. Perhaps the most important consideration is that Jebel Ali is a safe, secure harbor which offers the multinational company an ideal staging point for its business in the Middle East, Africa and Asia.

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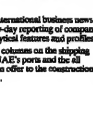
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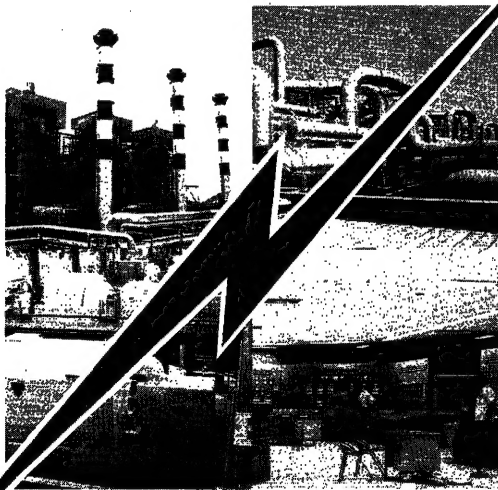
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## Dubai Airport: Crossroads of the Skies

Emirates, Dubai's new airline, took to the skies last October and is expanding its routes fast.

"We're really doing very well, indeed," says a company spokesman, who outlined some of the airline's plans for the future. Having started off serving the Asian sub-continent, Emirates is now looking west, and has just begun flights to Cairo. Later it hopes to be adding new destinations even further afield.

The formation of the airline, which was an open secret for most of last year, has helped reinforce Dubai's importance as an international air transit center for not only the Gulf region, but for much of the world. It is the busiest airport in the Gulf, last year handling 3.8 million passengers. The



Mohi-Din Abdulhadi Binhandi, Director General, Department of Civil Aviation

airport now has direct links with more than 70 international destinations.

Not long ago a second main runway was completed, making the airport one of the very few in the Middle East to have parallel runways. When the new facilities at the terminal, including a \$50-million cargo building, are completed, Dubai will be able to handle more than 6 million passengers a year. Airport officials believe that this should be

sufficient capacity for the airport until the year 2000.

Already Emirates is increasing its fleet, which now consists of three aircraft — one Airbus 300 B, one Boeing 737/300 and, more recently, a Boeing 727. Although the fleet is small it is currently undergoing maximum utilization: according to airline officials, the average seat carrying factor is nearly 70 percent.

Number one. Dubai Airport has gained international fame for its sophisticated duty-free shopping facilities. Just over two years ago an elaborate complex of shops was opened in the remodeled departures hall. This has become so successful that last year Dubai won an international award for being the world's number-one airport duty-free operator.

Total sales turnover in 1984 was \$20 million, and last year it went up to \$24 million. "This makes us the 17th-biggest duty-free operator in the world," says Colin McLoughlin, duty-free manager. He be-

lieves the duty-free complex (another is to be built in the new arrivals hall), which consists of 24 individual shops, offers some of the best bargains in the world.

But more importantly it offers a certain style and elegance associated with the boutiques of Paris or London's fashionable Bond Street. A wide product range is available, from mink and blue fox furs at \$1,800 to a bottle of Scotch whisky at \$2.75, or a \$1.95 pair of Jaeger socks to a \$14,000 Rolex watch.

"We want to give our passengers a complete service, whether they are coming — or going. That is why we started this business," says McLoughlin, who spent nearly 10 years as manager of the duty-free shop at Shannon Airport in Ireland.

It was when Mohi-Din Binhandi, director general of Dubai Civil Aviation, was planning duty-free facilities for Dubai that he approached Shannon, who sent McLoughlin and a team of experts to do

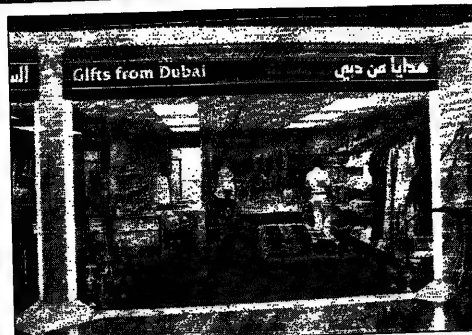
a study. This eventually led to McLoughlin being asked to stay on and help create the new duty-free shopping complex, which now has a staff of more than 200 — double what it started out with at the end of 1983.

There is nothing static about the small shops and the variety of their display, which are often changed to meet different needs and to follow new trends. When personal computers were in demand, one shop was given over to selling all kinds of PCs. In one month they sold 120. Then a fur shop was introduced, joining another selling ladies' and children's clothing.

"We're also trying to make it a nice place for airline passengers to shop," adds McLoughlin, who says that 60 percent of customers at the duty-free complex are in transit. When the new arrivals hall is completed, Dubai will be one of the very few airports in the world to provide duty-free facilities for arriving passengers.

The variety and quantity of goods sold is extraordinary. McLoughlin, who is in the process of computerizing all stock and sales, made a quick check on sales last year. These amounted to just over one third of a ton of gold worth Dh. 10 million (approximately \$2.8 million), 4,000 cameras, 12,000 calculators, 15,000 briefcases, 694,000 bottles of spirits, 15 tons of Toblerone chocolate, 10,000 watches and 105 million cigarettes.

Wherever comes of the current feasibility study, it is for sure that any products McLoughlin stocks will not only be the best, but the cheapest as well. It is hard to think of another duty-free shop anywhere that offers so many bargains. Dubai's duty-free shops have set a new style and standard which will be hard for anyone else to match.



Duty Free Shop, Dubai International Airport

## BUSINESS CENTER OF THE GULF

(Continued from Page 9)

ships of 11 million DWT, compared with 8.5 million DWT in the previous year.

Chief executive Johan Neeb says war casualties play only a minor role in the yard's order book. Many vessels are sent to Dubai for inspection or emergency repairs and then continue to Taiwan or other countries to be scrapped. In Neeb's opinion Dubai has increased business not because of low prices but through quality of work and reliability in rectifying schedule.

In February of this year, a record tonnage of more than 2 million DWT was in the yard simultaneously. The largest vessel drydocked in the past year was the Kuwait-owned, 401,382-DWT A/Rickish, which came in for a full grit blasting and SPC painting.

Dubai Drydocks today offers its customers a team of highly skilled, hand-picked professionals and the benefits of one of the most modern repair yards of this size in the world — a unique facility in the Gulf. With these important assets, it will be possible

to maintain and increase its importance and visibility around the world.

New developments. The newest development in Dubai is the Jebel Ali Free Zone. Shaikh Sultan Ahmed Bin-Sulayem, chairman of the Free Zone Authority, believes that Dubai differs radically from other free trade zones — which are no more than storage areas — since it offers manufacturing and processing potential. In the long term he hopes that Jebel Ali will attract offshore banks and insurance companies as well as distributors and industrialists.

At the Dubai Aluminium smelter, management has had success in finding new outlets, particularly in China and the United States. In 1985, 150,677 tons of aluminium were sold, an increase of almost 2 percent over the previous year, with Japan as the biggest customer.

Dubai's status as a minor oil producer — exporting some 360,000 barrels a day — has kept government finances liquid, despite the current weakness in spot prices. The

Emirate is pushing ahead as hard as it can with onshore and offshore oil and gas finds. Recovery costs in Dubai are low, which suggests that a period of weak prices may ensure long-term demand for Dubai crude oil.

At Jebel Ali, where the main industrial zone and free trade cantonment is based, a gas processing plant can handle up to 250 million cubic feet a day. Gas produced by Dubai's oil fields also helps to provide the energy and water for city dwellers.

Increasing the growth of Dubai's tourist industry is also a priority. Says Emirates Airline chairman Shaikh Ahmed: "We aim to achieve a maximum ceiling of 100,000 tourists a year but we are looking for discriminating visitors — those who have already seen much of the world and are ready for something different."

The tide is running in favor of Dubai, which is continuing to expand and develop its role as the leading business and trade center of the Gulf, and a prime tourist spot.



One plane from the new Emirates Air fleet. Last month Emirates began service to Sri Lanka and Bangladesh.

# DUBAI TODAY

Dubai, the second largest of the seven emirates that make up the federation of the United Arab Emirates, has emerged as the leading business centre of the Gulf and forms the vital link between East and West. Its prosperity, founded on trade long before the days of oil boom in Arabia, has given Dubai the kind of infrastructure that would be the envy of much of the developed world...

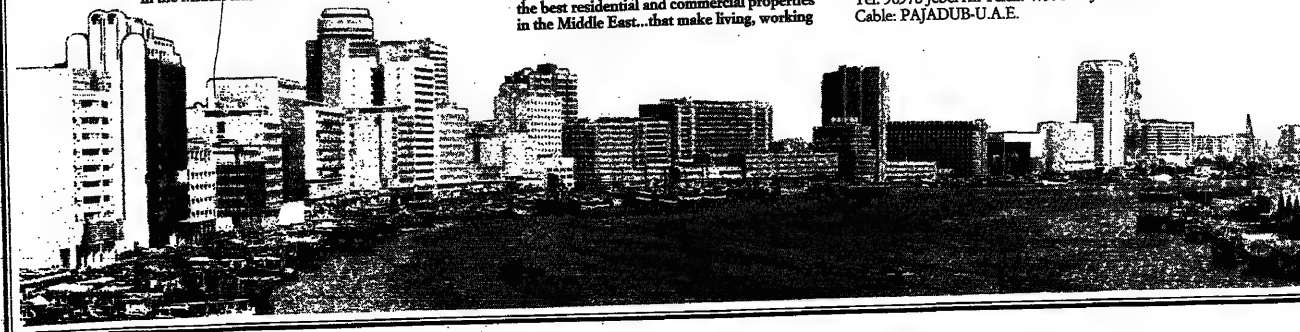
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## Improved Marketing Boosts Tourist Trade

The new marketing drive to put Jebel Ali Free Zone on the map, the start-up of Emirates airline, and continued business fervor in Dubai have helped to give a timely boost to the hotel trade.

Restaurants have become more sophisticated both in terms of service and quality of food. For example, the Hyatt Regency, now taken over by a bank, and the Indian restaurant at the Sheraton Hotel are hard to beat.

"Everybody has become much more competitive," comments Majed Khalil, general manager of the Dubai Metropolitan, one of the ho-

tels closest to the entrance of the Jebel Ali Port. "As far as we are concerned the first quarter of this year has been better than last," he adds.

The Metropolitan, which is out of town midway between Dubai and Jebel Ali, has had to become extremely innovative in order to compete. One successful idea introduced by Khalil has been a tie-up with Avis car rentals. A guest paying the full rate (now about Dh 295 — \$80 — a day) gets a free Avis car with unlimited mileage for the duration of the stay.

"Last year we rented out 2,000 cars days with Avis," says

Khalil. This year the hotel has another strategy: to open a beach club near the Jebel Ali Sailing Club by the Chicago Beach Hotel.

Increased interest in tourism, DNATA, the national tourist agency, is making a concerted effort to increase tourism in Dubai and the surrounding region. It is becoming more outward looking in its development policy towards tourism, a market it finds difficult to identify. But there is interest from outside the region in the tourist potential. In fact, following a recent British television broadcast referring to Dubai,

DNATA fielded a resulting 400 telephone inquiries.

At present much of the business is derived from visiting business persons who like to stay on in Dubai for a few days if schedules permit. "We can take them for dune dinners, wildlife watching, camel riding and desert safari," says a DNATA executive. "There really is more to see around here than in most parts of the Gulf," he adds.

Dubai's leisure facilities range from bowling to ice skating on its two international-sized rinks. Then, of course, every hotel by the water offers windsurfing, dinghy

sailing and snorkeling. There are also opportunities for deep-sea fishing in some areas, and plans are under way for an 18-hole golf course to be built near the Chicago Beach Hotel.

Dubai also has the advantage of being able to offer waterside tourist attractions and hotel facilities on its north coast, where its mountainous scenery is a total contrast to the flat desert of the Gulf," he adds.

According to the Department of Civil Aviation, nearly 4 million passengers come and go through Dubai's international airport. The Govern-

ment hopes that more of the transit passengers will stay on for a few days in Dubai. It has ambitious plans for the future and is one of the few Gulf countries to really take tourism seriously: one Government official speaks optimistically about creating a 100,000-a-year tourist market in the Emirates within the next two or three years.

With its superb hotels offering every conceivable leisure facility, a variety of short tours and special interest attractions, Dubai has a better chance than most to become the Gulf's leading tourist, business and trade center.

## Industrial Output Helps Cut Imports Bill

Changing oil prices will have an impact on Dubai's import figures this year. Despite the bustle of activity along the coast, efforts of the energy market, the Iran-Iraq war, and weakness in the dollar have influenced local trade. But this aspect has been partly balanced by injecting just enough money into the economy through capital projects such as the new Jebel Ali power and water desalination complex, to keep the wheels of commerce turning.

Nevertheless, imports into the U.A.E. have declined from their peak of Dh 35,470 million (\$9.7 billion) in 1981 to Dh 28,200 million (\$7.7 billion) in 1984. Full figures for 1985 are not yet available, but the graph is nevertheless downward. This is in some measure due to the success of import substitution measures, particularly with commodities such as cement and construction materials, but also with services. Smaller amounts of machinery and vehicles for the construction industry are being imported. Many local companies are responding to the decline in construction work by turning to manufacturing, thereby helping to cut the import bill.

It has recently become official policy to reduce the numbers of expatriate workers, although the search for tourists is being intensified, which should keep the shopping malls busy. The departure of expatriate workers will, however, undoubtedly affect the import business, since this group was a rich source of orders for washing machines, refrigerators, freezers, scooters, radios and video recorders — all highly sought-after items.

For the export trade, whose highest-value products are processed gas and aluminium in the non-oil sector, Japan has been the best customer. The Dubai Aluminium Company has added new customers in China and the United States, with additional sales to Bulgaria, France, Italy, Greece and Sweden.

Many in the business community pinned their hopes on an easy end to the Gulf war, since in the period immediately

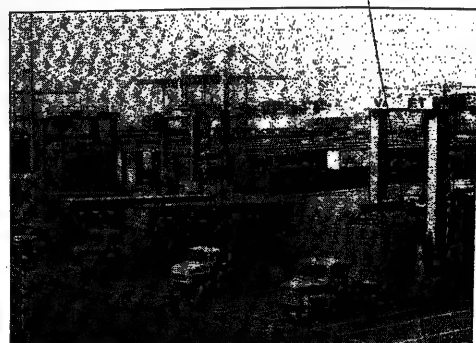
preceding the hostilities Iraq had been a good customer for Dubai-based contractors.

The development of Dubai's diverse downstream projects and the Jebel Ali Free Zone has tended to take attention away from the efforts of Dubai Municipality to foster more business. Dubai has 163 factories, with an average individual investment of more than Dh 250,000 (\$66,120) and employing more than 10 people. The 10 largest, which include Dubai Aluminium, Gulf Extrusions, the National Cement Company and Gulf Eternit, are located mainly at Jebel Ali and Ras Al Khaima. Then there are about 2,500 small workshops with fewer than 10

workers and investment below the Dh 250,000 benchmark. The mushrooming of these industrial projects has led to a creditable increase in the value of non-oil exports, which more than doubled in four years, from Dh 993 million (\$260 million) in 1980 to Dh 1,927 million (\$523 million) in 1984.

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Port Rashid Container Terminal.

ional market, copper mined in Oman — an indication of how GCC countries can work together.

Dubai has especially welcomed a Government move to introduce a 10 percent price preference for local products, which the company believes will help local manufacturers compete with foreign subsidized sales.

Another Jebel Ali-based success story is Gulf Extrusions, which has doubled its output of aluminium products to 8,000 tons a year by December 1985. In the fabricated steel sector, the Dubai-based factory opened by Cleveland Bridge, part of the UK's Trafalgar House group, has currently got a full order book, thanks to successes in neighboring countries, particularly Saudi Arabia and Oman. The majority of com-

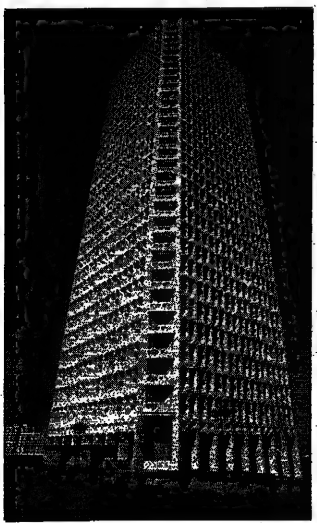
panies holding leases in the industrial zone are, nevertheless, in the service sector, with oil field services a large component of the total.

In the first half of 1985 Japan topped the list of suppliers of goods to Dubai with Dh 1,610 million (\$439 million) or 19.6 percent of the total. The United States was second with Dh 391 million (\$239 million) or 11.3 percent, and the United Kingdom third with Dh 958 million (\$233 million).

These big three have been remarkably consistent with Dubai in the past 10 years. Major growth sectors remain oil, electricity, water and sewerage, and telecommunications. Dubai has a special emphasis on health care, agriculture, sports and leisure and, to a lesser extent than in past years, construction.

Throughout Dubai there continues to be a demand for educational, health and consumer goods, including food and a wide range of general machinery. Repair and maintenance, information technology, and fire and security protection are all becoming more important. Total imports by Dubai for the first six months of 1985 were Dh 8,223 million (\$2.2 billion), compared with Dh 8,768 million (\$2.3 billion) in the corresponding period of 1984.

Although expatriates represent a significant chunk of the consumer market, a noteworthy factor is that more than half of the native born population is under the age of 14. Dubai is a young market where nationals will predominate and become the main target group for all exporters over the next decade.



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## Greater Discipline Strengthens Banking Sector

The Dubai banking sector is characterized by its stability, concentration on trade, finance, and ability to overcome temporary setbacks. Under the supervision of the Central Bank of the U.A.E. and the Government of Dubai, greater discipline has been enforced, following a slowdown in the regional economy.

The publicity attached to recent bank mergers has tended to distract attention from the fact that no depositor has suffered and that Dubai commercial courts have upheld judgments in favor of creditors banks against local businesses. In Saudi Arabia, where similar problems have emerged since 1981 when oil revenues peaked, the position would have been much more cloudy. The fact that the Central Bank of the U.A.E. has no power to act as a lender of last resort has not prevented the Government of Dubai from supporting its obligations to shore up the financial and monetary system.

Equally, those bankers who might have been tempted to speculate with shareholders' deposits have been served a warning.

Central Bank governor Abdel-Malik al-Hammar has asserted in recent weeks that the

dirham will not be devalued, showing that the U.A.E. authorities have no intention of being panicked by the weakness of the dollar, although in neighboring Oman a devaluation took place in January.

Against the regional trend, the National Bank of Dubai, which opened a London branch last month near the Hyatt Carlton Hotel, recorded a 7.4 percent increase in profits in 1985, compared with the previous year. This was achieved despite a fall in loans and advances.

In its annual statement, managing director Abdullah Mohammed Saleh told shareholders that the 15 percent decline in loans and advances to Dh 1,238 million (\$37.1 million) resulted from reduced local investment opportunities. This could reflect the drop in Dubai's non-oil exports in 1985, since the most recent figures show a 54 percent drop in volume and a 41 percent fall in value for the first eight months of 1985 compared with the same period of 1984.

The National Bank of Dubai boosted its overseas investments, mainly in U.S. treasury bonds, but was also one of the main buyers of U.A.E. Central Bank certificates of deposit, buying \$53

million worth during 1985. By contrast, profits at the Commercial Bank of Dubai fell by 29.7 percent in 1985 compared with 1984, to the equivalent of \$3.6 million on assets of \$916 million. Although these two banks are among the first in the U.A.E. to declare 1985 results, the Commercial Bank of Dubai has decided to spend \$3.5 million on a new head office which should be finished by the first quarter of 1987, indicating that its shareholders have confidence in the city.

Majid Mohammad al-Furustan, chairman of the Dubai-based Middle East Bank, believes that the U.A.E. is capable of withstanding "the occasional economic setback." He is confident that, in the long term the U.A.E. will return to "a bright and healthy environment." In his most recent annual report, Al-Furustan admits that the Middle East Bank has had its share of "problem loans," but in 1984 the Furustan family showed its commitment to the bank by a special indemnity against "exceptional losses in respect of specified advances to third parties."

In its diversification strategy, Middle East Bank has established a branch in Kenya, entered an association with

Owena Bank (Nigeria) and opened a representative office in Hong Kong, as well as a regional office and branch in Cairo. Middle East Bank has a controlling interest in Banque de Djibouti et du Moyen Orient. At home in the U.A.E. there are nine branches, and in the international money centers, Middle East Bank is present in London and New York. The bank will be celebrating its 10th anniversary in October.

The foreign banking community in the U.A.E. has been left to find its own way through the recession. Some have decided to leave, including Canada's Toronto Dominion Bank, which intends to close its Dubai main office as soon as it has collected outstanding loans. Toronto Dominion says the closure is part of its plan to change the emphasis of its activities from retail to wholesale banking.

Other foreign banks, including the British Bank of the Middle East (BBME), the first to open in Dubai, in 1946, have consolidated their operations in Dubai, due to the Central Bank ruling restricting foreign commercial banks to a maximum of eight branches.

Many leading Dubai merchants have a great affection

for the BBME. One of its trustees was leading entrepreneur Easa Saleh al Gurg, who joined the bank when it first opened in Dubai. He recalls: "The BBME has been my school, my college, my university. I have given them as much as I could and they have been very good to me."

Reduced profits may be good for U.A.E. banks, especially if the current trend toward increased loan loss provisions continues. The Central Bank governor has said recently that banks are considering setting up a corporation to assume liability for their non-performing loans.

The total amount in bad loans may total almost \$3 billion, although Dubai represents only a small element of this total. As is often the case in the U.A.E., this may in the last resort be left to individual emirates if the Central Bank is unable to forge an agreement.

In Dubai the bankers appear already to be on the way to finding a solution which fits the requirements of the Emirate. What is an undoubtedly good sign for Dubai is the fact that merchants in neighboring countries still flock to take advantage of the volume purchasing power of Dubai businesses.



Looking across the Deira Creek from Deira, the panorama includes a view of the ruler's office.

## Local Press Sets Gulf Standard

The Dubai press has come of age in the past five years offering a range of Arabic and English titles which would do justice to a much larger business center. It is not hard to see why there has been this proliferation of publishing ventures. The U.A.E.'s 1.5 million people, with one of the highest per capita incomes in the world, are prime targets for consumer advertising.

A number of regional publications have representatives in Dubai, taking advantage of the tolerance practiced by the Government of Dubai Information Department, directed by Shaikh Hasher al-Maktoum. In recent months the Dubai Chamber of Commerce & Industry has been active through the press endorsing sponsored supplements with the intention of raising the

profile of the city as a place in which to conduct international business.

In non-print media as well, Dubai has had excellent support. Dubai Television was one of the first in the Gulf to offer color advertising.

The leading Dubai daily in Arabic is Al-Bayan, printed on its distinctive pink paper, whose circulation of 35,000 is aimed at the Arabic-speaking

businessman and civil servant.

The Gulf's leading daily in English, published from Dubai, is the Khaleej Times, which has a circulation of 48,000. It is read in preference to local newspapers in some neighboring countries, including Bahrain, Qatar and Oman. Since the publication's foundation in 1978, both Qatar and Oman have acquired their English-language dai-

lies, but for a long time Khaleej Times has looked like the emerging English voice of the GCC states. Both the Khaleej Times and the other English Dubai daily, Gulf News, which has recently started color printing, are owned by the Ghadeiri family. A third English daily, Emirat News, published in Abu Dhabi as a sister newspaper to Al Itihad, is also on sale in Dubai, with a lower circulation than Gulf News — 21,000 to 24,000.

The expatriate population is served with some lively weekly magazines, including a "What's On" entertainment guide. The local media has proved itself capable of challenges, such as the production of the national airline Emirates' in-flight magazine.

The inevitable flip coin to the press — public relations — is also reasonably established as an industry in Dubai. Visiting companies are wise to hold press conferences and can bring the full range of media expertise to bear on the local scene. At Dubai's recent Arab Air aviation conference of leading aircraft manufacturers, Boeing scheduled a press conference at the same time that archival Airbus Industries was making a presentation in the conference hall.

The organizers were soon wise to that slight of hand, but Boeing declared itself well-satisfied with the standard of questions from local journalists. "We weren't allowed to get away with anything," says a Boeing spokesman, "and we needed a full team to field the replies."

Few Dubai nationals are attracted by the media as a white-collar job, although this may be changing as economic conditions normalize throughout the Gulf. However, standards of proofreading, color printing and attention to detail are high. The manager of a local printing press firmly believes that within five years the GCC will be challenging Singapore and Hong Kong for magazine-quality printing. Some local press of course are even considering looking at security printing if sufficient confidence will be placed in the private sector by government.

The media as a service industry has also been greatly bolstered by the excellence of Dubai's telephone, telex and facsimile communications with the outside world. European newspapers are usually on sale the day after publication with minimal censorship, although the Department of Information is mindful of any material which is offensive, anti-Arab, or promotes hostile ideologies.

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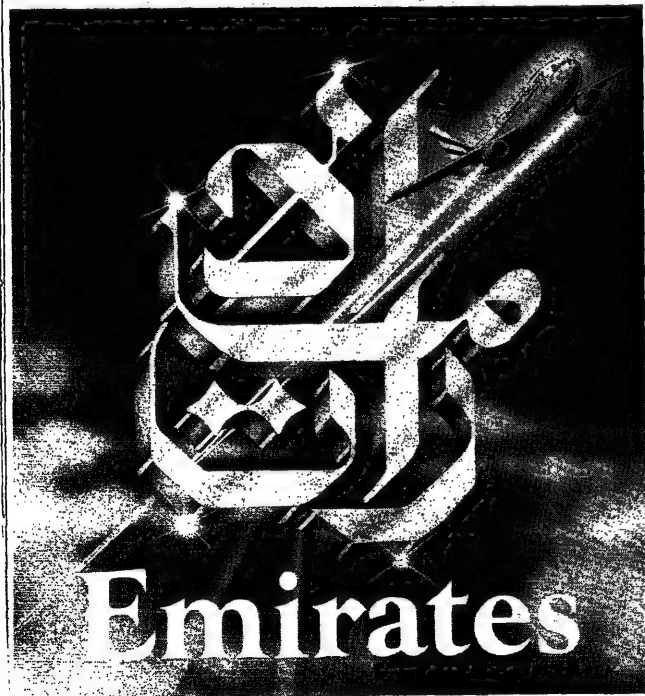
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cousin  
81 Cooler  
82 Seaview Island  
84 Depend  
85 Novel

**DOWN**

17 Appendix  
18 Free  
23 Reddish  
attendants  
24 Buton  
Scandinavian  
25 Practice that  
can't be  
wrong?  
31 Kind of cheese  
or steak  
32 Like Verne  
winner  
33 Activity  
34 Assam  
silkworm  
37 Fervent  
channel  
38 Biotic  
40 Appealed  
41 Sled dog  
44 Interlocked  
46 Warning signal

**ACROSS**

86 Ebb  
87 Book sect.  
89 Private  
82 Sid from  
Kansas City  
94 Date of the  
Boston  
Marathon  
97 Associate of  
Jones  
100 Blackboard  
103 Kind of ester  
105 Late near  
Rome  
107 Count —  
108 White  
109 Copie, e.g.  
110 Shortened title  
of a 17th-  
century  
allegory  
115 Housings for  
jet engines  
116 — Varen, in  
"Jane Eyre"  
118 — est periphi  
119 Hebridean isle  
120 Divided into  
sections  
121 Penury  
122 Brace

**DOWN**

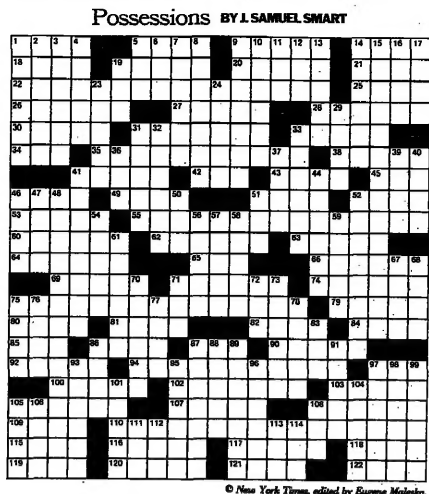
47 Contribute to  
the pot  
48 Benet epic:  
1928  
50 Suburban  
relative  
51 Platonic  
dialogue  
52 — "People,"  
1980 Oscar  
winner  
54 Scythe handle  
55 Hille's "Man  
Without a  
Country"  
57 Hebrew letter  
(often spelled  
saché)  
58 Grotesque  
household  
59 Voluptuous  
cousin  
60 Necessestary

**DOWN**

76 Roscoe  
memorable  
comedian  
77 Bright star in  
Lyra  
78 Pains  
83 Star for  
Goodman  
84 Allusion of TV  
fauna  
87 Shielded like  
husband  
88 Pope who died  
in A.D. 157

**DOWN**

89 Movie-set  
worker  
91 Dabbonest, in a  
way  
93 Go by, as time  
94 Raving  
95 — O'Shea,  
music-hall star  
97 Strip  
98 Black Sea port  
99 One of Henry  
VIII's lovers  
101 Hitchcock  
film: 1969  
104 Swamp  
106 The Grapes,  
e.g.  
107 Turt  
109 Turt  
111 Wedding  
wreath  
112 Author  
of Delight  
113 Prefix with fix  
114 Type of tape



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**DOWN**

47 Inclusive abbr.  
68 Most  
commune  
71 First word of  
"Home, Sweet  
Home"  
72 Actor  
McCallister  
73 Most arid  
75 Green  
monkey's  
cousin

**DOWN**

76 Roscoe  
memorable  
comedian  
77 Bright star in  
Lyra  
78 Pains  
83 Star for  
Goodman  
84 Allusion of TV  
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111 Wedding  
wreath  
112 Author  
of Delight  
113 Prefix with fix  
114 Type of tape

# BOOKS

## FINAL HARVEST: An American Tragedy

By Andrew H. Malcolm. 320 pages. \$17.95.  
Times Books, 130 Fifth Avenue, New York,  
N. Y. 10011.

Reviewed by Martin F. Nolan

THIS is the dark side of Lake Wobegon. The victims and victims of "Final Harvest" are not stronger, smarter or above average. Like other Americans, they were swept up in the tornado of social and economic change in American agriculture. When the better landed to homicide fury on a spread in southern Minnesota, the events provided Andrew Malcolm with a page 1 story in The New York Times and now this follow-up saga.

Malcolm's reporting skills transform the dreams and deaths of these people who seem so ordinary into an extraordinary American story. On Sept. 29, 1983, Jim Jenkins, a failed farmer, along with his son Steve, managed to enter the president of the locally Ridge State Bank, Rudy Rhyne Jr., and the bank's loan officer, Toby Thum, onto a lonely farmhouse road. Jenkins murdered them both, then fled to Tulsa, where he walked down an open field, carefully took his eyes off a car, put a shotgun into his mouth and pulled the trigger. His son later stood trial in Minnesota on accessory charges.

## BOOKS

"Final Harvest" is first a straightforward newspaper story, of the uncomplicated kind that fails to incite somber symposia at journalism schools. The author draws on novels and catalogs no sources, but his lyrical portraits of the Middle West and of farm life make it more than another detective epic. Truman Capote's "In Cold Blood" distilled literary realism on the earth, but also presents contemporary "mystery fiction." Malcolm details the bloodstains on the earth, but also presents contemporary sobriety and properly, justifying the subtitle, "An American Tragedy."

The resonance of the tragedy of farming always had a soothing constancy "around the clock, around the years, through the generations." The Middle West cherished its myth as "the heartland," the broad place in the middle with the big hands and the innocent smile, where old values like hard work, patriotism and neighborliness hung on long after they had been discarded as useless most everywhere else.

Malcolm treats Middle West values kindly but clinically. Not since Rudyard Kipling visited Chicago's stockyards a century ago has a reporter regarded the United States' breadbasket so evenly and elegantly. Farm life had become complicated by

## PEANUTS



## BLONDIE



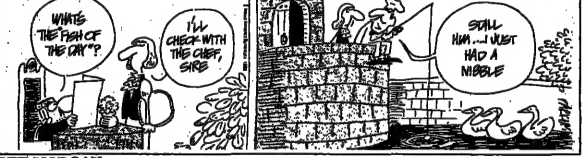
## BETTY BAILEY



## ANDY CAPP



## WIZARD OF ID



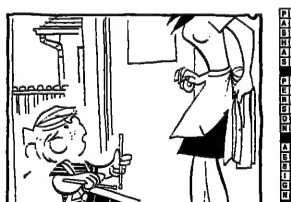
## REX MORGAN



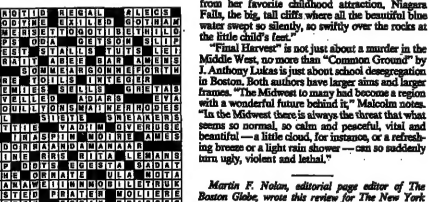
## GARFIELD



## DENNIS THE MENACE



## Solution to Last Week's Puzzle



## World Stock Markets

via Agence France-Press May 2  
Closing prices in local currencies unless otherwise indicated.

Country	Stock	Price
Argentina	CI	100.00
Brazil	IBOV	100.00
Canada	TSX	100.00
France	CAC	100.00
Germany	DAX	100.00
Italy	ISEQ	100.00
Japan	Nikkei	100.00
UK	FTSE	100.00
USA	Dow Jones	100.00

## Weather

Region	High	Low
Europe	100.00	100.00
Asia	100.00	100.00
Africa	100.00	100.00
Latin America	100.00	100.00
North America	100.00	100.00
Oceania	100.00	100.00

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